

CHAPTER 1

LICENSING REQUIREMENTS

Section 1-1

LICENSING OF DEALERS

1-1.1 Authorization. Section 248 of the *Michigan Vehicle Code* (MCL 257.248) provides that any person, partnership, or corporation engaging in business as any type of vehicle dealer in Michigan must be licensed by the Michigan Department of State. The Dealer Program Section oversees this licensing activity. Other auto-related businesses, such as motor vehicle repair facilities and automotive mechanics, are also licensed by the Department of State.

The Michigan Department of State licenses nine types of dealers, including new vehicle dealers, used vehicle dealers, vehicle brokers, and various types of salvage/scrap dealers. Applicants must complete a form AR-0032, *Original Vehicle Dealer License Application*, to obtain a dealer license.

1-1.2 License Expiration. Dealer licenses expire each December 31 and must be renewed annually. Form AR-0033, *Vehicle Dealer License Renewal Application*, is mailed to the dealer's licensed location each September. This license renewal application should be completed and returned with the required fee before November 1. Early submission will ensure that the renewal will be processed before the December 31 expiration date.

1-1.3 Unrenewed License. After December 31 of each year, dealers who have not renewed their licenses may not operate legally. Secretary of State branch offices will not accept transactions from dealers whose licenses have expired.

1-1.4 Trailers. A dealer license is required for the sale of trailers weighing over 2,500 pounds. A license is required for all trailers or campers that require a certificate of title (e.g., trailer coaches or pick-up campers).

Section 1-2

ESTABLISHED PLACE OF BUSINESS

1-2.1 Authorization. By law, every dealer must have and maintain an established place of business. This requirement is outlined in Section 248 of the *Michigan Vehicle Code* (MCL 257.248). The location shown on each dealer's license is the dealer's official "established place of business." Any changes in the dealership location must be reported immediately to the Customer Support Section at 517/636-6400.

1-2.2 Designated Secretary of State Branch Offices. In order for a dealer to do business with the Michigan Department of State, the dealer must specify a Secretary of State branch office or offices which the dealer intends to use. Up to three branch offices may be designated. A change in the dealer's business location may warrant a change in the dealer's previous branch office designation. Form BFS-18, *Dealer Request for a Designated Branch Office*, is available from any Secretary of State branch office.

1-2.3 Requirements. All of the following requirements must be met to qualify a dealer location as an established place of business:

- a) Approval by the Secretary of State;
- b) Occupied by the dealer either continuously or on a regular basis;
- c) Books and records kept there;
- d) A large share of the business transacted there;
- e) Vehicle inventory kept there.

1-2.4 Additional Locations in Same County. A dealer license authorizes the dealer to conduct business at a principal place of business in a particular county. Additional locations in the same county may be licensed as supplemental locations, at no fee, if the same activities will be conducted. If the types of activity differ, a separate dealer license is needed.

1-2.5 Another County. A separate dealer license is required if a dealer sells at retail in another county or establishes a place of business in another county.

Section 1-3

WORKERS' COMPENSATION INSURANCE

Used vehicle parts dealers (Class C) and automotive recyclers (Class R) must maintain workers' compensation insurance for employees classified as automobile dismantlers, or else have an insurance exemption from the Michigan Department of Consumer and Industry Services. Foreign salvage vehicle dealers (Class H) must maintain workers' compensation insurance as required by their home states. Other dealers may also need to carry workers' compensation insurance, but proof of such insurance is not required with the application for Class A, B, D, E, F, or G dealers (unless also licensed as a Class C or R dealer). Contact the Michigan Department of Consumer and Industry Services at 517/322-1195 for details.

Section 1-4

BUSINESS HOURS

1-4.1 Requirement. A dealer must maintain and post regular business hours and must advise the Michigan Department of State of those hours. A dealer's business hours are kept on record with the department.

1-4.2 Limited Business Hours. Dealers may operate under “limited” business hours, if the dealer has informed the Licensing Section in writing of those hours. At a minimum, a dealership must be open to the public for business at least four consecutive hours each week during “normal business hours.” Normal business hours are considered to be Monday to Friday, 9 a.m. to 5 p.m.

1-4.3 Change in Business Hours. A dealer must notify the Michigan Department of State if the dealer's business hours change. There are two ways to notify the department of such a change:

- a) Send or fax a brief letter to the Licensing Section listing the new hours. The address is: Michigan Department of State, Licensing Section, Lansing, Michigan, 48918-1210. The fax is: 517/335-2810.
- b) Change the pre-printed business hours listed on the dealer's next license renewal application. Simply cross off the old hours of business and write in the new hours. Mail this form to the Licensing Section.

Section 1-5

SURETY BOND

1-5.1 Requirement. All Class A, B and D dealers are required to maintain a vehicle dealer surety bond in the amount of \$10,000. These bonds are used to reimburse purchasers, sellers, financing agencies, and government agencies for monetary loss caused by any tax deficiency, fraud, cheating, or misrepresentation in the conduct of the dealer's vehicle business.

1-5.2 License Termination. If a surety bond company cancels a dealer's surety bond, the dealer's license terminates on the effective date of the bond cancellation.

1-5.3 Procedures. Michigan law (MCL 257.248) requires the issuing surety company to notify the Michigan Department of State in advance of any bond cancellation. The Licensing Section will notify the dealer by mail of the cancellation. If the bond has not been replaced or reinstated by the cancellation date, a second notice is mailed advising the dealer the license has been terminated and all dealer plates must be surrendered. Secretary of State branch offices and other interested businesses are then notified that the license is no longer in effect.

1-5.4 Loss of License. If there is no surety bond, there is no license. Dealers whose bonds are canceled or who have no bond on file with the Michigan Department of State must immediately cease operations and may not sell vehicles, process RD-108s, or otherwise conduct business.

Section 1-6

MICHIGAN NO-FAULT INSURANCE

New and used vehicle dealers (Class A and B) are required to maintain a minimum of 20/40/10 fleet-type Michigan no-fault vehicle insurance. The insurance certificate must indicate coverage for either “all owned vehicles” or “any vehicle.”

Section 1-7

DEALERSHIP CHANGES

1-7.1 Requirements. Michigan law requires a dealer to notify the Michigan Department of State of changes affecting the dealer's business operations. Changes in ownership, officers, location, business hours, type of business, franchise status, and dealer classifications are examples of changes which require notification or approval by the Michigan Department of State. Failure to do so may result in suspension or revocation of the dealer's license under Section 249 of the *Michigan Vehicle Code* (MCL 257.249).

1-7.2 Procedure. A dealer must complete and submit an original application for a license (form AR-0032) or a special application (form AR-0068), *Vehicle Dealer License Application Change of Name and/or Change of Address*, to request a change.

Section 1-8

CHANGE OF ADDRESS OR CHANGE OF BUSINESS NAME

1-8.1 Postal Changes. If a dealer's business address is changed by the Post Office but the dealership has not moved, the dealer should submit a copy of the postal notice to the Licensing Section.

1-8.2 Move within Same County. When a dealer moves to a new location within the same county, the dealer must complete form AR-0068, *Vehicle Dealer License Application Change of Name and/or Change of Address*, which is available from the Licensing Section.

1-8.3 Move from One County to Another. When a dealer moves to a new location in another county, the dealer must contact the Licensing Section to request form AR-0068. Change of address riders for the surety bond and fleet insurance are required. Sole proprietorships and partnerships must provide a copy of the assumed name filing in the new county.

1-8.4 Change of Name. When a dealership changes its name, the dealer should contact the Licensing Section and request form AR-0068, *Vehicle Dealer License Application Change of Name and/or Change of Address*. Change of name riders for the surety bond and fleet insurance are required from the dealer.

Section 1-9

CHANGE OF OWNERSHIP

1-9.1 Requirement. All changes in the ownership of a dealership must be reported *in writing* to the Licensing Section. Contact the Licensing Section for the appropriate application.

1-9.2 Corporations. Deleting an officer's name from a dealer license requires *written* notification. The dealership must submit to the Licensing Section either of the following:

- a) A written statement, signed by the person whose name is being removed from the license, requesting the removal; or,
- b) A certification signed by a corporate officer authorized to act on behalf of the corporation, requesting that the person's name be removed from the dealer license.

To add an officer's name to the license, the applicant needs to complete form AR-0069, *Dealer Corporate Officer Change Application*, including fingerprint cards. The name may be added to the license only after an investigation of the applicant's background has been conducted.

1-9.3 Partnerships. Written notification to the Licensing Section is required whenever names are added to, or deleted from, a dealer license. A new dealer license is needed in certain cases.

- a) **Adding a Name.** To add a partner to the license, the dealer must complete an application including fingerprint cards for the new person. The name may be added only after the Michigan Department of State has conducted an investigation of the applicant's background.
- b) **Deleting a Name.** To delete a partner's name from the license, the dealer must submit a statement, signed by the person whose name is being removed from the license, requesting the removal, or a certification signed by another partner.

1-9.4 Limited Liability Companies. Written notification to the Licensing Section is required when a managing member is added or deleted from a dealer license.

- a) **Adding a Name.** Adding a member's name to the license requires the dealer to complete form AR-0069, *Dealer Corporate Officer Change Application*, including fingerprint cards. The name may be added to the license only after the Michigan Department of State has conducted an investigation of the applicant's background.
- b) **Deleting a Name.** Deleting a member's name from the license requires a statement, signed by the person whose name is being removed from the license, requesting the removal, or a certification signed by another managing member.

1-9.5 Individual Ownership. When a sole owner incorporates a dealership or transfers ownership to another person or entity, a new dealer license application is needed. An individual owner may add or delete a husband or wife by amending the current license. A copy of the new assumed name filed with the county must be submitted to the Michigan Department of State. The dealer license number will not change in this case.

Section 1-10

ADDITIONAL SALES LOCATIONS

1-10.1 Supplemental Locations. A supplemental location is a licensed, approved place of business located within the same county as the dealer's primary established place of business and is in addition to the primary business location. The business activities at a supplemental location must be the same as those conducted at the primary location.

To apply for a supplemental location license, the dealer completes form AR-0066, *Vehicle Dealer Supplemental Location License Application*, available from the Licensing Section. A dealer may have as many supplemental locations as desired, but each location must qualify and be licensed by the Michigan Department of State. There is no fee to add a supplemental location.

1-10.2 Temporary Sales Locations. On occasion, a dealer may want to hold a temporary sale at a location away from the established place of business. This may include a “tent sale,” an auto show, or a similar event during which vehicles may be displayed or sold for a specified length of time. Additional licensing is needed for these activities. Applications should be submitted to the Licensing Section at least 30 days before the date of the sale to allow time for processing. See also Section 1-10.3.

- a) **Inside County of Licensure.** If the temporary location is within the dealer’s county of licensure, a *Vehicle Dealer Supplemental Location License Application*, form AR-0066, is needed. A *Michigan Vehicle Dealer Close-Out Statement (Temporary Location)* form is also needed. The Close-Out Statement will be used to cancel the supplemental license once the temporary sale is over. Approval for temporary sales cannot be given without a Close-Out Statement.
- b) **Outside County of Licensure.** If the temporary location is outside the dealer’s county of licensure, form AR-0032, *Original Vehicle Dealer License Application*, is needed. Applications must be accompanied by a \$10,000 surety bond and a *Michigan Vehicle Dealer Close-Out Statement (Temporary Location)* form. The Close-Out Statement will be used to cancel the supplemental license once the temporary sale is over. Approval cannot be given without a Close-Out Statement.

NOTE: Dealer plates are not issued for temporary sales locations, and a temporary license may not be renewed.

1-10.3 Temporary Sales Locations – RV Dealers. Licensed RV dealers do not need to obtain a supplemental license to deal in motor homes, trailer coaches, trailers, or pickup campers at a recreational vehicle show if all of the following apply:

- a) The dealer is licensed as a new or used vehicle dealer (Class A or B); and,
- b) The duration of the recreational vehicle show is not more than 14 days; and,
- c) Not less than 14 days before the beginning date of the recreational vehicle show, the show producer submits a Recreational Vehicle Show application form to the following address: Michigan Department of State, Licensing Section, Lansing, Michigan, 48918-1210.

The form may also be faxed to the Licensing Section at 517/335-2810. A copy of the form is available online at www.michigan.gov/sos (click on “Services to Businesses”).

Section 1-11

GOING OUT OF BUSINESS

1-11.1 Procedures. When closing a dealership, including a supplemental location, a dealer must complete a *Vehicle Dealer Close-Out Statement*. The dealer must return the wall and pocket licenses, dealer plates, and unused temporary registrations to any Secretary of State branch office or they may be mailed to the Licensing Section.

1-11.2 Vehicles in Inventory. Whenever possible, a dealer should dispose of vehicles in inventory before going out of business. Any vehicles owned at the time of closing must be titled in the dealer's name and sales tax paid. When closing only a supplemental location, vehicles left in inventory may be either transferred to the main location or to another supplemental location.

Section 1-12

TWO-AT-ONE LOCATION

Occasionally, two dealers may choose to share a single location. The Michigan Department of State will approve such an arrangement if all of the following conditions are met:

- a) The names of the businesses are not so similar as to create confusion for the public;
- b) Both dealers sign a written agreement to share the location, have separate offices, keep all books and records separate, keep all inventory separate, post signs identifying each separate business and provide a copy of the signed agreement to the department; and,
- c) Each applicant must furnish the department with a detailed sketch showing the separation of offices, inventory, and display areas.

Section 1-13

DEALER CLASSIFICATIONS

1-13.1 Requirements. A dealer license may be issued in one or more classifications (classes) depending on the business activities of the dealer. Michigan law imposes different obligations upon different classes of dealers, and not all classifications are “compatible”. The following descriptions indicate what activities each dealer class allows and which classes are compatible.

NOTE: A dealer license number begins with a letter. The letter represents the dealer's “primary” (first in the alphabet) class. Additional classes are referred to as “alternate classes.” This means if you are licensed in Classes “A”, “B”, and “C”, your dealer license number will begin with an “A” (for example, your number could be A9999) and your alternate class codes will be “B” and “C”. The license number alone may not show all license classes a dealer has, but the wall license will show all class information by describing all authorized activities.

1-13.2 Class A (New Vehicle Dealer). A licensed new vehicle dealer buys and sells new vehicles under a franchise agreement or contract with the manufacturer of the new vehicle. A Class A license is compatible with B, C, and E; or B, E, and R classes described below.

As a general rule, Michigan law provides manufacturers, importers, and distributors shall not sell any motor vehicle directly to a retail customer other than through its franchised dealers. If more specific information is required, please refer to Public Act 239, Section 14. See the Michigan Legislature web site at the following address: www.michiganlegislature.org/

1-13.3 Class B (Used Vehicle Dealer). This class of dealer buys and sells used vehicles. A Class B license is compatible with A, C, and E; or A, E, and R classes. Class B dealers may also buy and sell late model distressed vehicles if one of the following applies:

- a) The Class B dealer is also licensed as a Used Vehicle Parts Dealer (Class C) or an Automotive Recycler (Class R);
- b) The Class B dealer legally acquires the vehicle (from someone other than a broker, auction, salvage pool or insurance company), obtaining a salvage title if it does not have one, and, after rebuilding the vehicle, has it inspected and recertified before selling it; or,
- c) The Class B dealer legally acquires a vehicle which requires a scrap title, obtains a scrap title if it does not have one, and sells the scrap vehicle only to a class C, F, H, or R dealer. See Chapter 5 for more information about distressed vehicles, salvage vehicles, and scrap vehicles.

1-13.4 Class C (Used Vehicle Parts Dealer). This dealer buys or otherwise acquires late model major component parts (see Chapter 5) for resale, either at wholesale or at retail. This dealer may also acquire whole vehicles to dismantle them for the resale of their parts, selling the remains as scrap. Class C, and Foreign Salvage Vehicle Dealers (Class H) and Automotive Recyclers (Class R), are the only classes which can buy late model distressed vehicles (salvage or scrap vehicles) or late model major component parts through Michigan auctions, brokers, or salvage pools. Insurance companies may sell directly to Scrap Metal Processors (Class F).

NOTE: A Class C dealer may only be represented at an auction, broker or salvage pool by its licensed Salvage Vehicle Agent (see Section 1-13.11).

- a) **Authorization.** A Class C license is compatible with A, B, and E; or E and F classes. Class C is not compatible with D, G, H, or R classes.
- b) **Selling Whole Vehicles.** A Class C dealer may sell a whole vehicle as follows:
 - 1) The vehicle is sold to a Scrap Metal Processor (Class F); or,
 - 2) The Class C dealer applies for a scrap title and sells the unit by assigning the scrap title to another Class C dealer, or to a Class H or Class R dealer. If the scrap title to the vehicle has been assigned to the Class C dealer in the first assignment space of the scrap title, the unit may be sold and the title reassigned only to a Class F Dealer. Class C, H, or R dealers may sell scrap-titled vehicles on a bill of sale with a disclosure statement that the scrap-titled

vehicle is being sold “for parts only.” The word “scrapped” or “junked” should be written on the face of the title and the title mailed to the Michigan Department of State, Bureau of Driver and Vehicle Records, Conversion Unit, Lansing, Michigan 48918. Under no circumstances should the scrap title be given to the purchaser; or,

- 3) The Class C dealer is also licensed as a Class B Used Vehicle Dealer.

1-13.5 Class D (Broker). A broker is a dealer who, for compensation, either brings a buyer and seller together, negotiates the terms of a transaction, or displays a vehicle offered for sale. In the broker's role regarding the sale, purchase, lease or exchange of vehicles or salvageable parts, the broker does not have title or other legal interest in the vehicle or salvageable part. A person who conducts a vehicle auction is a type of broker and requires a Class D license.

- a) **Authorization.** The Class D license is compatible only with Class G.
- b) **Prohibited Practices.** A broker may not acquire ownership of vehicles or their major component parts.
- c) **Restrictions.** Brokers have restrictions in selling late model distressed vehicles. A broker, salvage pool or auction may sell, transfer, or release a late model distressed vehicle, salvage vehicle, scrap vehicle, or salvageable part only to:
 - 1) The vehicle's former owner; or,
 - 2) A licensed Salvage Vehicle Agent representing a Used Vehicle Parts Dealer (Class C), a Foreign Salvage Vehicle Dealer (Class H), or an Automotive Recycler (Class R).

1-13.6 Class E (Distressed Vehicle Transporter). This class of dealer may buy, transport, and sell vehicles only to a Class C Used Vehicle Parts Dealer; Class F Scrap Metal Processor; or Class R Automotive Recycler.

- a) **Authorization.** A Class E license is compatible with A, B, and C; or C and F; or A, B, and R; or F and R classes.
- b) **Restriction.** Class E dealers may NOT sell parts or dismantle vehicles. Transporters may remove gas tanks, batteries, radiators, tires, and wheels to sell as scrap or to make the vehicle acceptable to the scrap metal processor.

1-13.7 Class F (Vehicle Scrap Metal Processor). This type of dealer processes vehicles into scrap metal by shredding, shearing, fragmenting, baling, or similar means. Crushing is not considered a scrap metal process since it is not the final step before remelting.

- a) **Authorization.** A Class F license is compatible with C and E; or E and R classes.
- b) **Exception.** A scrap metal processor who acquires vehicles exclusively from licensed dealers is not required to be licensed, but must keep certain records and make them available for inspection by Michigan Department of State representatives and law enforcement officers.

1-13.8 Class G (Vehicle Salvage Pool). This dealer stores and displays damaged or distressed vehicles for insurance companies.

- a) **Authorization.** A Class G license is compatible only with Class D.
- b) **Restrictions.** Salvage pools may not sell vehicles to repair facilities. The salvage pool, like auctions and brokers, may only sell, transfer or release late model distressed vehicles, salvage or scrap vehicles and late model major component parts to one of the following:
 - 1) The vehicle's former owner; or,
 - 2) A licensed Salvage Vehicle Agent representing a Used Vehicle Parts Dealer (Class C), a Foreign Salvage Vehicle Dealer (Class H), or an Automotive Recycler (Class R).

1-13.9 Class H (Foreign Salvage Vehicle Dealer). This dealer is licensed in another state and is engaged in this state in the business of purchasing, selling, or otherwise dealing on a wholesale basis in salvageable parts or late model distressed vehicles. This dealer buys or otherwise acquires late model major component parts (see Chapter 5) for resale, either at wholesale or at retail. The dealer may also acquire whole vehicles to dismantle for the resale of parts, selling the remainder as scrap.

Except for the Used Vehicle Parts Dealer (Class C) and the Automotive Recycler (Class R), this is the only dealer class which can legally buy late model distressed vehicles (salvage or scrap vehicles) or late model major component parts from insurance companies, or through auctions, brokers, or salvage pools in Michigan.

- a) **Authorization.** A Class H license is not compatible with any other Michigan vehicle dealer license. The foreign salvage vehicle dealer must also be licensed in their home state as a salvage dealer in vehicles or parts.
- b) **Restrictions.** A Class H dealer may only buy or sell late model distressed vehicles or late model major component parts at Michigan auctions, brokers, or salvage pools when represented by its licensed Salvage Vehicle Agent. A salvage vehicle agent license is not necessary when dealing at other dealerships in Michigan, provided the activity is wholesale only.

1-13.10 Class R (Automotive Recycler). This dealer buys or otherwise acquires late model major component parts (see Chapter 5) for resale, either at wholesale or at retail. This dealer may also acquire whole vehicles to dismantle them for the resale of their parts, selling the remains as scrap. Except for the Foreign Salvage Vehicle Dealer (Class H) and the Used Vehicle Parts Dealer (Class C), this is the only class which can legally buy late model distressed vehicles (salvage or scrap vehicles) or late model major component parts through auctions, brokers, or salvage pools in Michigan. Insurance companies may sell directly to Scrap Metal Processors (Class F).

NOTE: A Class R dealer may only be represented at an auction, broker, or salvage pool by its licensed Salvage Vehicle Agent (see Section 1-13.11).

- a) **Authorization.** A Class R license is compatible with A, B, and E; or E and F classes. Class R is not compatible with C, D, G, or H classes.
- b) **Selling Whole Vehicles.** A Class R dealer may sell a whole vehicle only as follows:
 - 1) The vehicle is sold to a Scrap Metal Processor (Class F); or,
 - 2) The Class R dealer applies for a scrap title and sells the unit by assigning the scrap title to another Class R dealer, or to a Class C or Class H dealer. If the scrap title has been assigned to the Class R dealer in the first assignment space of the scrap title, the unit may be sold and the title reassigned only to a Class F Dealer. Class C, H, or R dealers may sell scrap-titled vehicles on a bill of sale with a disclosure statement that the scrap-titled vehicle is being sold “for parts only.” The word “scrapped” or “junked” should be written on the face of the title and the title mailed to the Michigan Department of State, Bureau of Driver and Vehicle Records, Conversion Unit, Lansing, Michigan 48918. Under no circumstances should the scrap title be given to the purchaser; or,
 - 3) The Class R dealer is also licensed as a Class B Used Vehicle Dealer.

1-13.11 Salvage Vehicle Agent License. Michigan law requires any person in the business of buying, selling, or dealing in late model distressed vehicles (including salvage and scrap vehicles) or salvageable parts through an auction, broker, or salvage pool to be licensed as a Class C, H, or R dealer and be represented by a licensed Salvage Vehicle Agent.

- a) **Authorization.** To qualify for a license as a salvage vehicle agent, a person must be the owner or an employee of one of the following dealers:
 - 1) A Used Vehicle Parts Dealer (Class C); or,
 - 2) A Foreign Salvage Vehicle Dealer (Class H); or,
 - 3) An Automotive Recycler (Class R).

NOTE: A Class C, H or R dealership may have no more than two licensed salvage vehicle agents at one time.

- b) **Notification Approval.** The dealer submits form AR-0188, *Original Salvage Agent License Application*. Upon approval, the agent will receive an authorization letter with instructions on how to obtain a photo identification card. The agent must prominently display the card when attending salvage pools or auctions where vehicles with salvage or scrap titles are being sold.
- c) **Agent Changes.** If any of the agent's information changes or the agent loses his or her photo identification card, the dealer must submit form AR-0191, *Salvage Vehicle Agent Application for Corrected or Duplicate License*. If the dealer hires a new salvage agent, the dealer submits an original application for a salvage vehicle agent license.

1-13.12 Repair Facilities. A repair facility may not buy salvage or scrap vehicles or late model major component parts from insurance companies or through auctions, brokers, or salvage pools unless the repair facility has a Class C, H, or R dealer license.

- a) **Michigan Repair Facilities.** Michigan motor vehicle repair facilities which are not licensed as dealers may only buy vehicles or parts used in connection with the repair of customers' vehicles from dealers licensed to sell the vehicles or parts. Whole vehicles may be purchased only from Class A or B dealers. If the vehicles are late model distressed vehicles, the Class A or B dealer must also have alternate Class C or R to sell them to the repair facility. Parts may only be purchased from Class C or R dealers. In the case of whole vehicles, repair facilities must actually become the owner and take title to the units. Dealers selling vehicles to repair facilities which are not also licensed as dealers must complete RD-108s.
- b) **Out-of-state Repair Facilities.** Out-of-state repair facilities may only buy late model major component parts or salvage or scrap vehicles in Michigan, if they are licensed as a Class H Foreign Salvage Vehicle Dealer. See Section 1-13.9.

Section 1-14

DEALER PLATES

1-14.1 Authorization. Michigan law permits the use of dealer plates for specified purposes and prohibits other uses. Every Class A and Class B dealer must purchase at least two dealer plates.

1-14.2 Proper Use. Employees, servants, or agents of a dealer may operate a vehicle owned by a dealer for any purpose, provided that the vehicle is not a "service vehicle." This group of permissive users includes the dealer, full- and part-time employees, and authorized agents. There is no time limit on the use of a vehicle with a dealer plate operated by these persons. Examples of proper use of dealer plates on vehicles include:

- a) Dealer-owned vehicles being driven to and from repair facilities, storage lots, and other locations where vehicles are being held prior to sale;
- b) Dealer-owned vehicles being moved to locations where they may be bought or sold; and
- c) Dealer-owned vehicles driven by employees, servants, or agents for any use except as a service vehicle.

In addition, a dealer-owned vehicle may be driven by a prospective customer of a dealership for testing or demonstration purposes for up to 72 hours, and a person who has purchased a vehicle from a dealership may operated the vehicle with a dealer plate for up to 72 hours after taking delivery of the vehicle.

1-14.3 Improper Use. Section 244 of the *Michigan Vehicle Code* (MCL 257.244) prohibits the use of dealer plates in the following circumstances:

- a) On vehicles not owned by the dealer (except as noted above);

- b) On vehicles used as service cars or wreckers;

NOTE: Service vehicles include courtesy cars, loaners, rental/lease units and vehicles used for obtaining parts, or to transport monies and documents to banks and Secretary of State branch offices, etc. Service vehicles must be registered like regular vehicles.

- c) On vehicles owned by the dealership when operated by a person who is not the dealer, the dealer's employee or agent, or a prospective purchaser; and
- d) On vehicles titled as scrap or salvage unless the salvage-titled vehicle has been inspected and recertified by a specially-trained police officer.

1-14.4 Sanctions. The following are penalties for improper use of dealer plates:

- a) **Administrative Action.** If plates have been illegally used, or if a dealer purchased more than needed for business purposes, the Michigan Department of State may take administrative action against the dealer's license, limit the dealer's plate allotment, or both.
- b) **Tax Consequences.** Under Michigan's sales and use tax laws, use tax is due whenever a vehicle is removed from inventory and is operated for reasons other than testing or demonstration. Such vehicles should be titled in the name of the dealership. Use tax should accompany the dealer's regular tax return, unless sales tax is paid at the time of titling.
- c) **Civil or Criminal Consequences.** A person using dealer plates illegally may be ticketed and fined. The courts may hold dealers liable for associated civil or criminal violations. In some cases, police may confiscate the vehicle, particularly when ownership is in question. The police may also seize or impound dealer plates being used illegally. It is ultimately the courts' decision whether or not citations are justified in improper dealer plate use cases.

1-14.5 Dealer Plate Frames. License plate frames may not block or partially block registration information imprinted on the plate. See Appendix B for list of vendors.

1-14.6 Loss of Plate. A dealer who loses a dealer plate must immediately report its loss to the Licensing Section. Replacement plates may be requested at the same time. There is a replacement fee of \$5.00 per plate.

Section 1-15

REPAIR FACILITY SERVICE

Class A and Class B dealers are required to have a facility capable of servicing vehicles offered for sale. Dealers may either:

- a) Register as a repair facility by submitting form AR-0012, *Motor Vehicle Repair Facility Registration Application*, or have a current repair facility registration; or,

- b)** Enter into a servicing agreement with a registered repair facility. The agreement must contain the repair facility's Michigan registration number and be signed by the owner of the repair facility. A sample agreement form is enclosed with form AR-0032, *Original Vehicle Dealer License Application*.